

C O N T E N T S

STATEMENT OF

PAGE

Lieutenant General Walter B. Smith,
Director of Central Intelligence;
accompanied by Walter L. Pforzheimer,
Legislative Counsel, Central Intelligence
Agency

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Date 12-5-81 Reviewer W6/99

S. 927

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Wednesday, March 21, 1951

United States Senate,

Subcommittee of the Committee on Armed Services,

Washington, D. C.

The subcommittee met, pursuant to call, at 10:35 a.m.
in Room 212, Senate Office Building, Senator Richard B. Russell
(chairman) presiding.

Present: Senators Russell (chairman), Byrd, Stennis,
Saltonstall, and Knowland.

Also present: Justice M. Chambers, staff assistant.

The Chairman. Gentlemen, I have appointed you -- Senator
Byrd is expected here shortly -- as a subcommittee to consider
S. 927 which is a bill to amend Section 6 of the Central
Intelligence Agency Act, and we will make that bill a part of
the record.

(S. 927 is as follows:)

The Chairman. General Smith is appearing here before the subcommittee to not only explain this bill but to be available for questioning, for such questions as members of the committee might desire to ask as to the activities of Central Intelligence. I understand he is prepared to give us a briefing on the world situation if the members of this subcommittee so desire.

Of course it is unnecessary to stress the sensitivity of any statements made relative to the operations of the Central Intelligence Agency. I think it is important that this committee be kept informed in the general way of the activities of Central Intelligence and of all the information that is necessary for us to have to carry on our functions here as well as to assist in items of appropriation, the purpose of which might not be completely manifest on its face, but I can not stress too strongly the fact that this hearing, after the General concludes his explanation of the bill, will be of the highest classification.

We will not proceed to consider the bill, and after you have made your statement, General, we will excuse the reporter and proceed with further hearing.

STATEMENT OF LT. GEN. WALTER B. SMITH,
DIRECTOR OF CENTRAL INTELLIGENCE, ACCOMPANIED
BY WALTER L. PFORZHEIMER, LEGISLATIVE COUNSEL
CENTRAL INTELLIGENCE AGENCY

General Smith. Thank you, sir. I want to say in the beginning that I am grateful to you and to this subcommittee for the limited attendance because it will enable me to speak a good deal more frankly and to give you, as I feel it is necessary I should, the authority to which we are generally responsible and to whom we are dependent for the support we need, a little broader picture because I believe that you must have it in order to continue the support that we have been getting. The Congress has been extremely liberal in the broad authority that the Central Intelligence Agency has been granted. The specific piece of legislation I should like to say is introduced by us rather as an emergency bill because there is pending now a general bill which would accomplish the same purpose.

Some months ago when there seemed to be a prospect of immediate passage of that general bill, we deferred introducing this special bit of legislation, but now it appears that it may be delayed, so I am asking your approval for the employment of a limited number of retired officers of the armed services who are not retired entirely for physical disability.

There is no restriction now on the employment by another government agency of officers who are retired for physical disability, particularly those who were retired as the result of wounds received in enemy action and also those who have complete physical disability. We have a number of those employed now. I think I have nine officers or warrant officers who are retired as a result of enemy action, and we have 11 or 12 others who were retired on the basis of physical disability.

Now as you know, the long standing law which threw a direct and definite line of demarcation between those who were retired for definite physical disabilities and other causes has been changed. Most officers who are retired now -- and those are the type I want, and men of rather considerable rank and matured experience and judgment -- even though they do not retire for physical disability have some physical disability by the time they complete their medical examination. Those who have 30 per cent or less I believe are not considered as being physically disabled when they retire, but they are given by Congress some compensation in the way of percentage exemption from income tax, things of that sort.

Now we have a number of officers on active duty both drafted from the armed services, a number of reserve officers and a number of junior retired officers who are called back to active duty. The people that I contemplate employing under this bill are senior retired officers. The service departments

are reluctant to order senior retired officers back to active duty although they have done it in a few exceptional cases.

For instance, General Persons is back on active duty now temporarily as an assistant to General Eisenhower, because of specific qualifications. It is understandable why they do not want to do that. They want people who are physically able to command divisions and corps but I am more interested in their heads than I am in their legs, and as I told Senator Saltonstall a few minutes ago, I found when I was sufficiently young to be absolved of prejudice, that there is no substitute for experience.

We had a great many very able young division commanders during the war, some of them as young as 38 or 39 years old, who did very well in combat and they studied the book, they knew which flank to develop, they could handle their divisions beautifully. After the war when they were responsible for government and the administration of a hostile population, there was nothing in the book about that. They had to fall back on their native experience, their basic, their mature judgment. Some did not do so well and we had to replace them with older heads.

As I grow older -- incidentally, as I also remarked, my estimate of the age at which senility commences changes materially too; but we have certain types of work where military officers, naval officers have broad background and

long experience, as for example General Huebner who is now working for us part time on a consulting basis. The accumulated knowledge is invaluable. They function in a civilian capacity, not in a military capacity.

Senator Knowland. General, what is the number of the permanent legislation which you say we are waiting for?

Mr. Pforzheimer. It is unlimited, sir.

Senator Knowland. Has it been introduced?

General Smith. Yes, it has been introduced.

Mr. Pforzheimer. Our bill, sir? 15.

Senator Knowland. Senate bill 15?

Mr. Pforzheimer. Oh, excuse me.

General Smith. Permits the unlimited employment.

Mr. Chambers. The bill has not been introduced at this session of the Congress. It passed both houses of the Congress last year but the House tacked some amendments on it. The Post Office and Civil Service Committee tells me it will be re-introduced.

General Smith. When we get into secret session I will give you some reasons why I am asking for a little more expeditious action in the case of a few officers. In the instant case, this particular bill, I want exemption for the employment of not to exceed 15, and I would like, and I would like to get that now, as soon as possible, pending the passage of the general bill.

The Chairman. Now the bill did not provide for payment of all of their retirement pay as the civilian salary?

General Smith. No.

The Chairman. But just draws whichever is larger?

General Smith. That is right, sir. I believe, Senator, that there is some provision of law that an officer who is retired as a result of enemy action -- and you can tell me that, Colonel Chambers --

Mr. Chambers. That is correct.

General Smith. -- is entitled to draw two pays, but the people that I contemplate under this are not so retired.

Mr. Chambers. There is an exemption to the dual compensation statutes covering officers who are retired as a result of wounds received in action or an explosion of an instrumentality of war. All other officers who are retired come under the purview of the compensation law.

General Smith. So the ones that I am asking for here do not come under that. These are people who normally I would now be prohibited from employing at a salary of more than \$25000 a year.

The Chairman. Do you have any immediate plans to employ as many as 15, or did you just select that figure?

General. No, I took that as the overall that I might need of this type. Actually I have one man now who works part time on a consulting basis, General Huebner.

(Discussion off the record)

The Chairman. Any further questions?

Senator Saltonstall. Mr. Chairman, I want to just say this. I talked with General Smith as we were both here a little ahead of time, and also to Colonel Chambers. I approve of what this bill does. I think its draftsmanship could be improved. I believe that Colonel Chambers agrees with me on that.

Mr. Chambers. That is correct, sir. We have an alternate draft which was prepared in the legislative counsel's office, and if the bill is approved I would like to have permission of the subcommittee to redraft it and smooth it up a little bit.

General Smith. I would be grateful if Colonel Chambers would. There is one provision in connection with compensation to which I would like to invite the committee's attention. We have a provision in there that an officer who is retired for physical disability, that is for personal physical disability, can be paid his retired salary plus the difference between his retired salary and the salary of his position with CIA.

Now I am not a retired officer, I am an active officer but serving in a civilian capacity, and I now am paid by the Central Intelligence Agency the difference between my pay as an active officer of the Army and the CIA pay. It is one hundred and some dollars a month which Central Intelligence

pays me. In the case of these officers who are retired for partial physical disability, I want to pay them the difference between their retired pay and what the agency would pay them, for this reason.

We have this graduated scale of physical retirement. When an officer who retires on his own application, under the various provisions enacted by the Congress takes a medical examination and he is found partially disabled but not completely, under the existing law he is allowed a certain exemption against his retired pay. If I pay him the difference, he would get the benefit of his say 20 per cent exemption on his retired pay and then I could pay him the difference on which he would pay income tax plus the income tax that he would pay on the residue of his retired pay which did not carry any exemption. The reason I put that in here, I am having too hard a time getting people because they represent talent.

(Discussion off the record)

The Chairman. Will this joint pay amount to more than their active duty pay, General?

General Smith. It depends on their rank, sir. Let us assume that I were to employ a brigadier general and put him in a classification, our highest classification where we would pay an officer retired for physical disability or who would drop his retired pay, where we would pay him fourteen thousand a year, it might well in a few cases amount to a little more,

because you see they come in strictly in a civilian capacity.

Senator Saltonstall. What that position amounts to, General, is this. Am I correct in saying what it amounts to? If he gets his retired pay, part of it is tax exempt?

General Smith. That is right.

Senator Saltonstall. Then you would add the tax exemption plus his retired pay and the difference between that and the compensation, the ordinary compensation that he was getting in the CIA, which would actually net him more than the straight salary of the CIA by the amount of tax exemption?

General Smith. By the amount of tax exemption. That way I would also be able to keep down, reduce somewhat the amount that the CIA would have to pay.

The Chairman. But the net effect on the Treasury would be the same.

General Smith. The net effect on the Treasury would be the same, yes.

The Chairman. So you think there would be some instances where the officer would draw more than he would have on his active duty pay including the other emoluments of his office?

General Smith. Not including the other emoluments, no. I can not compensate them for the other emoluments. I am a living example of that. As Commander of the First Army at Governor's Island I could not have earned enough money in New York straight salary to have covered the various emoluments

that I had there, and there is no way of compensating. If I were to employ Crittenberger, who is my successor and who is due to retire, I could not even approach the emoluments that he would get.

The Chairman. That is what I had in mind a moment ago.

General Smith. It did not come anywhere near approaching emoluments.

(Discussion off the record.)

The Chairman. Is there anything further with respect to the bill?

Senator Stennis. Mr. Chairman, let me ask if I have this straight now. They can presently employ retired officers who have physical defects, is that right?

General Smith. That is right, sir.

Senator Stennis. That is present law?

General Smith. That is present law, yes sir.

Senator Stennis. You want to make it where you can employ 15 that are retired?

General Smith. That is right, yes sir.

Senator Stennis. That do not have physical defects?

General Smith. Not for physical disability. Most of them have some physical defects who were not retired. They would have 30 per cent or less physical disability. There is no restriction on the employment of retired enlisted men.

Senator Stennis. That is all this bill does?

General Smith. That is all.

Senator Byrd. It makes no change in the tax exemption?

General Smith. That is right, it makes no change. As I explained before you came in, Senator Byrd, there is a general bill introduced and passed in both houses at the last session which I think has not yet been introduced again. For some reason there was some complication. There were some House amendments I believe, so it never emerged from conference, but it will be reintroduced and will cover this thing.

Now while that bill was pending and likely to pass, I did not bother to ask for any special exemption in my case, but now I have got a situation where I need some of these people rather urgently and may need them before that general bill passes.

The Chairman. That bill died in the last Congress, General, and I do not think it is in a very favorable position in this Congress. It has not been introduced at all.

General Smith. It has not been introduced, Senator, I believe.

Mr. Chambers. Mr. Chairman, I would like to point out that we gave this same authority to the director of the Civil Defense Administration when we passed that bill in January. We did not consider this tax exemption part of it.

General Smith. I would ask the committee to give rather urgent consideration to that for the reason that the caliber of

people I want are the caliber of people that non-governmental agencies want, and they are prepared to pay them a very great deal in some cases.

The Chairman. Well, I think we understand the bill now.

Any further questions with respect to it?

Senator Saltonstall. I move, Mr. Chairman, that we report the bill either in its present form or in a redrafted form to express the intent of the bill as presented to us by General Smith.

The Chairman. If there is no objection, the subcommittee will report the bill to the full committee.

Mr. Reporter, we thank you, sir.

(Whereupon, at 10:55 a.m. the hearing was adjourned.)